Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

Message Text

CONFIDENTIAL

PAGE 01 QUITO 07300 012007Z

42
ACTION ARA-10

INFO OCT-01 ISO-00 AID-05 SS-15 SP-02 L-01 EB-04 IGA-01

MMS-01 OES-02 CIAE-00 DODE-00 INR-05 NSAE-00 PA-01

RSC-01 USIA-06 PRS-01 OMB-01 TRSE-00 /057 W
---------- 078479
P 011645Z NOV 74
FM AMEMBASSY QUITO
TO SECSTATE WASHDC PRIORITY 3088

C O N F I D E N T I A L QUITO 7300

E.O. 11652: GDS
TAGS: PFOR, EC
SUBJECT: AID PHASE-OUT

REF: A) STATE 232904; B) QUITO 7166

1. ON OCTOBER 30, CHARGE D'AFFAIRES HEMENWAY AND USAID MISSION DIRECTOR CODY MET WITH FINANCE MINISTER JAIME MONCAYO TO EXPLAIN USAID TRANSITION TO REIMBURSABLE TC AND GIVE MINFIN COPY OF AIDE MEMOIRE PREVIOUSLY PROVIDED MINISTER FORIEGN RELATIONS.

2. AFTER HEARING EXPLANATION AND QUICKLY READING THE AM, MONCAYO INDICATED THAT ANY DEFINITIVE RESPONSE WOULD REQUIRE GOE STUDY WHICH HE ANTICIPATED WOULD BE UNDERTAKEN IN A MEASURED, UNEMOTIONAL AND BUSINESSLIKE MANNER. WE STRESSED THAT THE PROPOSED CHANGES RELATED TO THE FINANCING OF US PARTICIPATION AND THAT THE USG RECOGNIZED THE OVERWHELMING CONTINUING DEVELOPMENT NEEDS AND STOOD READY TO CONTINUE A TECHNICAL PARTICIPATION.

3. MONCAYO INDICATED THAT THE ENTIRE PROPOSAL "SMELLED OF PETROLEUM" AND ASKED WHAT OTHER COUNTRIES WERE SIMILARLY AFFECTED. WE INDICATED THAT WHILE IT WAS OBVIOUSLY TRUE THAT PETROLEUM REVENUES WERE WHAT HAD CHANGED ECUADOR'S FINANCIAL PICTURE AND ITS REDUCED NEED FOR CONCESSIONAL
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 QUITO 07300 012007Z

ASSISTANCE, THERE WERE OTHER COUNTRIES WHERE WE HAD DIMINISHED

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

OUR AID (BRAZIL AND KOREA) OR WERE PHASING IT OUT (TURKEY
AND PREVIOUSLY MEXICO, ARGENTINA, TAIWAN AND OTHERS) WHOSE
IMPROVED FINANCIAL POSITION WAS NOT RELATED TO PETROLEUM.
AMONG THE LDCS WHOSE POSITION AS OIL PRODUCERS WAS IN SOME
RESPECTS EQUIVALENT TO THAT OF ECUADOR WE DID MENTION
INDONESIA AND NIGERIA, BUT SAID NOTHING ABOUT SPECIFIC USAID
PLANDS FOR THESE COUNTRIES, NOR DID MONCAYO BRING THE MATTER
UP FURTHER.

4. WE EMPHASIZED THAT FOR USAID TO CONTINUE TO OBTAIN
FUNDS FROM CONGRESS TO ASSIST THOSE COUNTRIES MOST SERIOUSLY
AFFECTED BY WORLDWIDE INFLATION, WE HAD TO TAKE INTO ACCOUNT
THE METHOD OF FINANCING ASSISTANCE TO THOSE WHO WERE RELATIVELY
BETTER OFF. HENCE THE PROPOSED TRANSITION.

5. MONCAYO DWELT AT SOME LENGTH ON THE FACT THAT THERE WOULD
BE THE POLITICAL INCONGRUITY OF RECEIVING DONATION TECHNICAL
ASSISTANCE FROM EUROPEAN COUNTRIES WHOSE TRADE AND HISTORIC
RELATIONS WITH ECUADOR WERE FAR LESS THAN WITH THE US, AND
EVEN THE U.K. WHOSE PRESENT ECONOMIC SITUATION IS LESS
FAVORABLE THAN THE US, WHILE RECEIVING TC FROM THE US ON
A LOAN BASIS. HE IS AWARE THAT THE SIZE OF THESE OTHER
BILATERAL PROGRAMS IS SMALL RELATIVE TO THE USAID PROGRAM
BUT CONSIDERED THE PRINCIPLE IMPORTANT.

6. IT WAS SUGGESTED THAT, IF THE GOE ACCEPTS THE TC LOAN
PROPOSAL, IT BE NEGOTIATED AT THE CENTRAL POINT WITHIN
THE GOE. MONCAYO AGREED AND SAID IT WOULD PROBABLY BE
THE COMMITTE OF EXTERNAL ASSISTANCE WHICH INCLUDES THE
MINISTER OF FINANCE, THE MINISTER OF FOREIGN AFFAIRS,
THE PRESIDENT OF THE NATIONAL PLANNING BOARD, THE GENERAL
MANAGER OF THE CENTRAL BANK, AND THE MINISTER IN WHOSE
JURISDICTION THE PROGRAM IS INVOLVED. THIS RAISED THE
QUESTION AS TO THE DEGREE TO WHICH SUCH A LOAN HAD TO BE
RELATED TO ONGOING PROJECTS. DEALING WITH A CENTRAL FOCUS
POINT IN THE GOE COULD SURFACE DIFFERENT PRIORITIES THAN
DEALING INDIVIDUALLY WITH SEPARATE MINISTRIES AS HERETOFORE
ON THE BASIS AID PREDETERMINED AREAS OF CONCENTRATION.
MONCAYO HOPED THERE WOULD BE U.S. FLEXIBILITY ON THIS POINT.
HE ALSO ASKED WHAT THE AMOUNT OF THE LOAN MIGHT BE. WE
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 QUITO 07300 012007Z

EXPLAINED THAT WE DID NOT ANTICIPATE STARTING FROM A FIXED
AMOUNT BUT RATHER CONSIDERING THE CONTINUATION FO EXISTING
PROGRAMS AND POSSIBLY RELATED ACTIVITIES AND ARRIVING AT
A TOTAL IN THAT FASION. IN RESPONSE TO HIS QUESTION, WE
POINTED OUT THAT THE TOTAL GRANT PROGRAM IN THE THREE
AREAS OF CONCENTRATION TO BE OBLIGATED FOR FY 75 IS ESTIMATED
AT ROUGHLY TWO MILLION DOLLARS.

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

7. COMMENT: WHILE THE DISCUSSION WAS CORDIAL AND
BUSINESSLIKE, MONCAYO WAS MORE RESERVED IN MANNER THAN
HE USUALLY IS IN DISCUSSING AID MATTERS, AND EXPRESSED
CLEAR DISAPPOINTMENT AT OUR PRESENTING HIM WITH "ONE
MORE PROBLEM." HE DID NOT SAY WHETHER HE HAD DISCUSSED
THE MATTER PREVIOUSLY WITH THE FOREIGN MINISTER BUT WE SUR-
MISE HE HAD NOT, ALTHOUGH HE SAID HE WAS NOT COMPLETELY
SURPRISED AT OUR PRESENTATION. WE ANTICIPATE THAT WHILE
HE WILL BE A REASONABLE VOICE IN THE GOE IN FORMULATING
A RESPONSE, HE WILL ALSO ADVOCATE A BARGAINING POSITION
THAT WILL MAXIMIZE THE US CONTRIBUTION TO THEIR DEVELOP-
MENT AS THEY SEE IT.
HEMENWAY

CONFIDENTIAL

NNN

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: POLICIES, ECONOMIC ASSISTANCE, FOREIGN ASSISTANCE PROGRAMS, MEETINGS, AIDE MEMOIRE
Control Number: n/a
Copy: SINGLE
Draft Date: 01 NOV 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: smithrj
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974QUITO07300
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740313-0633
From: QUITO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741179/aaaacpah.tel
Line Count: 128
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: A) STATE 232904; B) QUITO 7166
Review Action: RELEASED, APPROVED
Review Authority: smithrj
Review Comment: n/a
Review Content Flags:
Review Date: 13 SEP 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <13 SEP 2002 by cunninfx>; APPROVED <14 MAR 2003 by smithrj>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: AID PHASE-OUT
TAGS: PFOR, EC, (MONCAYO, JAIME), (HEMENWAY)
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005